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ACTION EB-00

INFO LOG-00	NP-00	AF-00	ACQ-00	CIAE-00	DODE-00	DOEE-00
DATE-00	DS-00	FAAE-00	FBIE-00	VC-00	TEDE-00	INR-00
VCE-00	AC-01	NEA-00	NSAE-00	OES-01	ACE-00	IRM-00
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FM AMEMBASSY HARARE
TO SECSTATE WASHDC IMMEDIATE 7190
INFO NSC WASHDC IMMEDIATE
AMEMBASSY KUWAIT IMMEDIATE
DEPT OF TREASURY WASHDC IMMEDIATE
USDOC WASHDC IMMEDIATE
SOUTHERN AFRICAN DEVELOPMENT COMMUNITY

C O N F I D E N T I A L SECTION 01 OF 02 HARARE 005397

SIPDIS

NSC FOR SENIOR AFRICA DIRECTOR GAYLE SMITH
LONDON FOR CHARLES GURNEY
PARIS FOR BISA WILLIAMS

E.O. 12958: DECL: 09/26/05

TAGS: EPET PREL PREL PINR ECON SENV ZI SA

SUBJECT: ZIMBABWE BANK DIRECTOR PROVIDES SOME HOPE FOR
MORE STEADY FUEL SUPPLIES

REFS: A) HARARE 5350 (NOTAL), B) HARARE 4999 (NOTAL)

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CLASSIFIED BY DCM EARL M. IRVING, REASON 1.5 (B), (D)

¶1. (C) SUMMARY: DCM AND POLOFF CALLED ON GIDEON GONO, DIRECTOR OF THE COMMERCIAL BANK OF ZIMBABWE (CBZ), SEPTEMBER 25 TO GET AN UPDATE ON ZIMBABWE'S FUEL SITUATION. AS REPORTED REF B, THE CBZ, AND GONO PERSONALLY, HAS BEEN INSTRUMENTAL IN KEEPING FUEL FLOWING INTO ZIMBABWE UNDER THE MOST ARDUOUS OF CIRCUMSTANCES. GONO OFFERED SOME HOPE THAT THE FUEL CRISIS HAS PEAKED, AND THAT THE NATIONAL OIL COMPANY OF ZIMBABWE (NOZIM) PARASTATAL THAT HAS CAUSED MUCH OF THE MISERY WILL LOSE ITS PROCUREMENT MONOPOLY BY THE END OF THE YEAR. END SUMMARY.

¶2. (C) DCM AND POLOFF CALLED ON GIDEON GONO, MANAGING DIRECTOR AND CEO OF THE COMMERCIAL BANK OF ZIMBABWE (CBZ), SEPTEMBER 25 TO GET AN UPDATE ON ZIMBABWE'S FUEL SITUATION. GONO OUTLINED THE CBZ'S ROLE IN SECURING NEW SOURCES OF FUEL EARLIER THIS YEAR WHEN ZIMBABWE'S TRADITIONAL CREDITORS TURNED OFF THE TAPS. WHEN NOZIM MISMANAGEMENT AND FOREIGN EXCHANGE SHORTFALLS LED TO CRITICAL FUEL SHORTAGES IN FEBRUARY, GONO EMBARKED ON A SERIES OF TRIPS TO LIBYA, EGYPT, DUBAI, AND KUWAIT. THE FIRST THREE DECLINED TO HELP GONO, BUT KUWAIT'S INTERNATIONAL PETROLEUM GROUP (IPG) OFFERED SOME HOPE. GONO ACCOMPANIED PRESIDENT MUGABE AND THEN ENERGY MINISTER ENOS CHIKOWORE TO KUWAIT IN MARCH, AND IPG SET UP A US\$30 MILLION REVOLVING CREDIT FACILITY FOR FUEL, ACCORDING TO GONO. AT IPG'S REQUEST, CBZ GUARANTEED THE DEAL ON A COMMERCIAL BASIS; IN EXCHANGE, NOZIM

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DEPOSITED ITS CASH WITH THE CBZ. THE DEAL PROVIDED SOME TEMPORARY RELIEF TO ZIMBABWE'S FUEL WOES.

¶3. (C) NEW PROBLEMS SOON SURFACED, HOWEVER, WHEN THE GOVERNMENT'S SPECIAL FUEL BOND WAS ONLY 50 PERCENT SUBSCRIBED. ZIMBABWE'S FOREIGN FUEL SUPPLIERS BECAME VERY NERVOUS WHEN THEY SAW THAT NOZIM COULD NOT CONVINCE LOCAL BANKS TO BUY THE BONDS. THE FOREIGN SUPPLIERS STARTED TO PUT THE SQUEEZE ON NOZIM AND CBZ, AND FUEL SUPPLIES STARTED TO DWINDLE AGAIN. THE GOVERNMENT BECAME DISENCHANTED WITH CBZ, AND ENDED ITS FINANCIAL ADVISORY CONTRACT WITH THE BANK IN JULY. WHEN THE NEW ENERGY MINISTER, SYDNEY SEKERAMAYI, COULD NOT FIND NEW FUEL SUPPLIERS FOR NOZIM, HE SENT AN "S.O.S." TO CBZ IN AUGUST, GONO SAID (REF B). THE CBZ CONVINCED BRITISH PETROLEUM, WHICH HAS THE LARGEST RETAIL NETWORK IN ZIMBABWE, TO RELEASE FUEL FROM ITS STORAGE FACILITY IN GWERU. WITHIN TWO WEEKS, GONO HAD EASED THE FUEL CRISIS AGAIN.

14. (C) GONO HAS SINCE INVITED FUEL SUPPLIERS, SUCH AS IPG AND SOUTH AFRICA'S ENGEN AND SASOL, TO COME MEET MUGABE PERSONALLY IN AN EFFORT TO RESTORE CONFIDENCE IN ZIMBABWE. THIS LED TO THE NEW FUEL DEAL REPORTED REF A BETWEEN NOCZIM, THE ZIMBABWE MINISTRY OF MINES AND ENERGY, SOUTH AFRICA'S ENGEN (26 PERCENT STAKEHOLDER IN CBZ, AND ITSELF 80 PERCENT OWNED BY PETRONAS OF MALAYSIA), CBZ, AND METROPOLITAN BANK. GONO ELABORATED THAT THE DEAL INVOLVES A US\$50 MILLION REVOLVING CREDIT FACILITY THAT IS TIED TO EXPORT EARNINGS ON SPECIFIC COMMODITIES, SUCH AS COTTON AND TOBACCO. THE CREDIT

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PAGE 04 HARARE 05397 01 OF 02 261404Z SCHEME INCLUDES A \$25 MILLION 90-DAY AND A \$25 MILLION 360-DAY REVOLVING CREDIT LINE (REF A). CBZ HELPED TO NEGOTIATE THE 360-DAY FACILITY WITH MALAYSIA DIRECTLY, AND IT HAS HELPED TO RESTART THE IPG FACILITY, WHICH HAD BEEN SUSPENDED.

15. (C) ON THE FATE OF NOCZIM, GONO STATED THAT IT IS ON ITS WAY TO BECOMING SOLELY A REGULATING BODY WITH NO PROCUREMENT AUTHORITY. ACCORDING TO THE GOZ'S CURRENT THINKING, ZIMBABWE'S FUEL IMPORTERS WOULD HAVE THE FREEDOM TO BUY FUEL DIRECTLY AT MARKET PRICES AND CUT OUT THE NOCZIM MIDDLEMAN. THE GOVERNMENT WOULD STILL HAVE A HAND IN DETERMINING FUEL PRICES, USING THE SOUTH AFRICAN GOVERNMENT'S FORMULA (NFI) THAT WOULD ENSURE NO LOSSES TO THE STATE OR SUPPLIERS. NOCZIM'S STAFF IS TO BE REDUCED FROM 200 TO 15, AND IT IS TO MOVE OUT OF ITS SEVEN-STORY HEADQUARTERS, GONO STATED. WHEN ASKED HOW LONG NOCZIM HAD LEFT, GONO FELT THAT IT WOULD BE EFFECTIVELY DISSOLVED BY THE END OF THE YEAR, BUT NOTED COYLY THAT THERE WERE STILL POLITICAL OBSTACLES TO OVERCOME. IN ANY CASE, GONO FELT THAT HE WOULD BE ABLE TO MAINTAIN THE REPRIEVE FROM ZIMBABWE'S FUEL TROUBLES FOR AT LEAST THE NEXT THREE TO FOUR MONTHS.

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16. (C) COMMENT: GONO WAS MORE CIRCUMSPECT WITH US THAN IN HIS DINNER CONVERSATION A FEW WEEKS AGO IN WHICH HE DESCRIBED ENERGY MINISTER SEKERAMAYI SENDING LETTERS TO NOCZIM REQUESTING A CUT OF ANY NEW FUEL DEAL (REF B). THIS IS LIKELY THE "POLITICAL OBSTACLE" THAT GONO WAS REFERRING TO. EVEN IF GOVERNMENT OFFICIALS CONTINUE SKIMMING OFF OF THE COUNTRY'S FUEL TROUBLES, IT APPEARS THAT ZIMBABWE HAS SECURED ENOUGH FOREIGN FINANCIAL BACKING TO TEMPORARILY STAVE OFF THE CONSTANT FUEL DISRUPTIONS THAT HAVE PLAGUED IT FOR THE LAST TEN MONTHS. QUEUES AT LOCAL PETROL OUTLETS HAVE BEEN NOTICEABLY SHORTER SINCE THE SEPTEMBER 22 FUEL DEAL WAS ANNOUNCED. WHETHER ZIMBABWE HAS FOUND A MORE LASTING SOLUTION WILL DEPEND ON THE POLITICAL WILL OF MUGABE AND THE ENERGY MINISTER TO DISSOLVE THE CORRUPT AND BADLY MANAGED NOCZIM. THAT MAY PROVE DIFFICULT IF THE NEW ENERGY MINISTER AND OTHERS LIKE HIM CANNOT WEAN THEMSELVES FROM THE BLOATED PARASTATAL.

17. (C) BIO NOTE: GONO WAS BORN IN BUHERA, MANICALAND

PROVINCE, ZIMBABWE ON NOVEMBER 29, 1959. HE IS MARRIED AND HAS FOUR CHILDREN AGES 18, 16 (TWIN GIRLS), AND 4. HE DESCRIBES HIMSELF IN HORATIO ALGER TERMS, STARTING OUT AS A TEA-MAKER/CLEANER AT A LARGE COMPANY, WHO USED HIS PAYCHECK TO PUT HIMSELF THROUGH SCHOOL FROM GRADE SCHOOL TO UNIVERSITY. GONO HINTED THAT PRESIDENT MUGABE RECENTLY SOUNDED HIM OUT FOR A CABINET APPOINTMENT, WHICH HE TURNED DOWN ("THE HARDEST DECISION OF MY LIFE"). THE BANK MANAGING DIRECTOR CLAIMS HE HAS NO POLITICAL AMBITIONS ("YET") BUT DOES WANT TO GALVANIZE A REPUTATION AS A CORPORATE TURNAROUND EXPERT, WHICH HE

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HAS APPLIED TO CBZ, ONCE INSOLVENT BUT NOW ZIMBABWE'S THIRD-LARGEST BANK. GONO HOPES TO COMPLETELY PRIVATIZE THE BANK (THE GOZ IS THE 20 PERCENT SILENT SHAREHOLDER) AND LIST IT ON THE NASDAQ. THE CBZ MANAGING DIRECTOR IS CLOSE TO PRESIDENT MUGABE AND HAS A CHECKERED REPUTATION IN THE BUSINESS COMMUNITY. END COMMENT.

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